

**§ 457.172 Coverage Enhancement Option.**

The Coverage Enhancement Option for the 2009 and succeeding crop years are as follows:

FCIC policies: United States Department of Agriculture, Federal Crop Insurance Corporation.

Reinsured policies: (Appropriate title for insurance provider).

Both FCIC and reinsured policies: Coverage Enhancement Option.

Both FCIC and reinsured policies:

## COVERAGE ENHANCEMENT OPTION

*1. Definitions*

*CEO coverage level*—The coverage level percentage contained in the actuarial documents where the Coverage Enhancement Option (CEO) is available and selected by you. This percentage is applicable under the combined MPC/CEO policy when losses under the MPC policy exceed the deductible and an indemnity is owed.

*CEO dollar amount of insurance*—The value of the additional insurance coverage for each unit provided by the CEO, which is determined by multiplying the CEO coverage level by the total value of the insured crop by unit and subtracting the MPC dollar amount of insurance.

*MPC*—Multiple Peril Crop Insurance, the plan of insurance offered by the Federal Crop Insurance Corporation as published at 7 CFR part 457.

*MPC coverage level*—The coverage level percentage you selected in the underlying MPC policy to which CEO is attached.

*MPC dollar amount of insurance*—The value of the insurance coverage for each unit provided under the MPC policy (the amount of insurance selected by you for dollar or similar plans of insurance, multiplied by the number of acres in the unit if such amount of insurance is on a per acre basis, or the amount determined by multiplying your production guarantee (per acre), times the price election, times the number of acres in the unit).

*MPC indemnity*—The indemnity determined for each unit under the MPC policy to which CEO is attached, not including replant and prevented plant-

ing payments or any indemnity payable under CEO.

*MPC indemnity factor*—A factor determined by dividing the MPC indemnity by the MPC dollar amount of insurance for each unit. This factor is used to ensure that the indemnity paid under the CEO is proportional to the amount of loss and indemnity paid under the MPC policy.

*Total value of the insured crop by unit*—The value of the crop that is determined by dividing the MPC dollar amount of insurance for each unit by the MPC coverage level.

2. CEO is only available for insured crops where the actuarial documents contain a CEO coverage level. If there is a conflict between the terms of CEO and any other provision of your policy, the terms of the CEO will control.

3. To be eligible for CEO coverage on the insured crop, you must:

(a) Have an MPC policy in force for the insured crop (or for citrus fruit, citrus trees, and stone fruit or other crops, as applicable, the insured type) and comply with all terms and conditions of such policy.

(b) Elect CEO in writing and choose a CEO coverage level (at least 5 percent higher than the MPC coverage level), by the sales closing date for the insured crop.

(c) Elect a level of coverage greater than the Catastrophic Risk Protection (CAT) coverage level and a 100 percent price election. CEO is not available for the CAT level of coverage.

4. CEO is continuous and will remain in effect for as long as you continue to have a MPC policy in effect for the insured crop, the actuarial documents contain a CEO coverage level, or until it is canceled by you or terminated by us on or before the cancellation or termination date, as applicable.

5. The premium for your policy will be determined by:

(a) Totaling the MPC dollar amount of insurance and the CEO dollar amount of insurance; and

(b) Multiplying the result of section 5(a) by the premium rate for the insured crop applicable to your MPC coverage level

6. With respect to the coverage provided under CEO:

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(a) All acreage of the insured crop insured under your MPCCI policy will be covered under the CEO;

(b) The amount of any replant or prevented planting payment that is payable under the MPCCI policy will not be affected by the CEO;

(c) An indemnity will be payable under the CEO only after the underlying MPCCI deductible is met and an MPCCI indemnity is paid; and

(d) The total indemnity for each unit (MPCCI coverage plus CEO) cannot exceed the combination of both the MPCCI and CEO dollar amounts of insurance.

7. If you elect CEO and a MPCCI indemnity is paid on any unit, CEO will pay a portion of the loss not paid under the deductible of the MPCCI policy depending on the CEO coverage level you select (For example, if you selected a 50 percent MPCCI coverage level, selected an 85 percent CEO coverage level, and had 60 percent loss of the insured crop, the total amount of indemnity paid under both the MPCCI policy and the CEO would be equal to approximately 51 percent of the total value of the insured crop by unit). See the example in section 8.

8. In addition to the settlement of claim section for the applicable Crop Provisions, your indemnity will be computed for each unit as follows:

(a) Determine the MPCCI indemnity factor;

(b) Determine the total value of the insured crop by unit;

(c) Determine the CEO dollar amount of insurance; and

(d) Multiply the MPCCI indemnity factor times the CEO dollar amount of insurance to determine the indemnity under the CEO.

*Example:* Assume a policy with one unit; an MPCCI coverage level of 50 percent and a CEO coverage level of 85 percent; 100% share; a \$120,000 MPCCI dollar amount of insurance; and a \$72,000 payable indemnity under the MPCCI portion of the policy.

Your indemnity would be calculated as follows:

(a) \$72,000 MPCCI loss ÷ by \$120,000 MPCCI dollar amount of insurance = .60 MPCCI indemnity factor;

(b) \$120,000 MPCCI dollar amount of insurance, divided by the MPCCI coverage level of .50 results in \$240,000 total value of the insured crop by unit;

(c) \$240,000 total value of the insured crop by unit multiplied by the CEO coverage level .85, equals \$204,000, and subtracting \$120,000 MPCCI dollar amount of insurance equals \$84,000 CEO dollar amount of insurance;

(d) .60 MPCCI indemnity factor × \$84,000 CEO dollar amount of insurance = \$50,400 unit indemnity under the CEO.

NOTE: The total unit indemnity is \$122,400 (\$72,000 MPCCI indemnity plus \$50,400 CEO indemnity).

[73 FR 43610, July 28, 2008, as amended at 73 FR 80295, Dec. 31, 2008]

**PART 458 [RESERVED]**